

**QW4:** In relation to financial advice issues, the Committee requests information regarding Westpac's compliance mechanisms in particular risk mitigation processes to ensure that financial planners are not taking unnecessary risks or doing the wrong thing.

**Answer:** Westpac's BT Advice business has a range of controls in place to prevent and detect risks and issues. Due to differences in operating models, these controls differ between financial planners who are directly employed by Westpac and those who own their own businesses and are authorised under one of Westpac's other advice licences, Securitator or Magnitude (Authorised Representatives). Importantly, Westpac encourages a culture where issues are escalated and dealt with quickly and provides staff with multiple ways of raising issues, including via confidential channels as per its Whistleblower Policy. Customers are also encouraged to provide feedback after interactions with Westpac's employed advisers and this feedback is published on the BT Adviser View website. Westpac also actively promotes its commitment to customers that, "if we get it wrong we will put things back on track".

Employed financial planners

Financial planners who are employed by Westpac are required to hold at least an Advanced Diploma of Financial Planning, which is above minimum industry requirements, and to complete regular professional development and conduct training. Employed planners are subject to a range of monitoring and supervision activities including:

1. advisers have their plans pre-vetted by a central paraplanning team before being presented to clients;
2. complex advices (excluding partnerships) are prepared by a central paraplanning team which allows a separation of duties when providing advice on potentially higher risk strategies;
3. having a sample of their client files audited each year;
4. monitoring by their people leaders which includes monthly calls to a selection of customers; and
5. files identified for review if they have characteristics outside Westpac's standard risk tolerance thresholds.

Authorised Representatives

All new advice practices joining as a Westpac licensee are subject to a due diligence process, which involves a detailed review of the practice and various background checks, prior to joining Securitator or Magnitude. Authorised Representatives are also subject to minimum educational standards and a range of monitoring and supervision activities including:

1. new advisers have their plans pre-vetted by a central paraplanning team before being presented to clients;
2. having a sample of their client files audited each year;
3. regular site visits by Westpac staff; and
4. files identified for review if they have characteristics outside Westpac's standard risk tolerance thresholds.

Westpac also recently extended the Planner Risk Insights system to cover our Group Licensee businesses.

Controls applicable to all advisers

Any material issues that are identified as part of the monitoring and supervision processes outlined above are escalated to a second line risk team and internal legal counsel. Internal legal counsel will assess the issue and, if considered necessary, will engage the BT Advice Investigations Team to conduct a thorough review into any concerns. A number of governance forums exist to ensure that reporting of risks and issues is visible to management throughout the BT Advice business and further escalation of issues can occur, if warranted. Westpac also employs a “three lines of defence” model which involves:

- the BT Advice business in the first line;
- a risk and compliance team in the second line with separate reporting lines to the Group Chief Risk Officer to oversee that the first line is operating appropriately; and
- the Group Audit team, which reports to the Board Audit Committee, in the third line that provides an additional level of assurance that the first two lines of defence are operating appropriately and that controls are effective.